711 net wells

626 mmcf/d

1997

1997 ANNUAL REPORT

Canadian Natural Resources Limited

71 mbbls/d

CORPORATE PROFILE

Canadian Natural Resources Limited is a senior oil and natural gas exploration, development and production company based in Calgary, Alberta. With extensive land holdings in Western Canada, the Company has achieved considerable yearly growth in its operating and financial results.

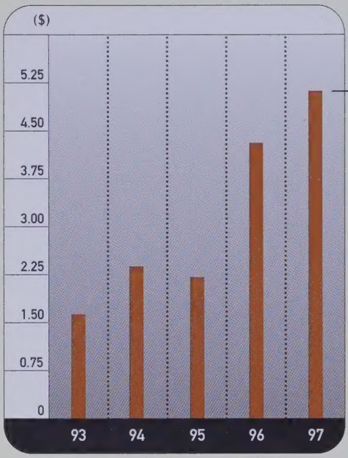
One of the largest producers among publicly-traded Canadian oil and gas companies, Canadian Natural's volumes averaged 133,000 barrels of oil equivalent per day in 1997 versus 87,000 barrels of oil equivalent in 1996 and its reserves at year end were 561 million barrels of oil equivalent. Cash flow reached a record $503 million in 1997.

A disciplined adherence to operating principles of effective cost control, manageable bank debt and a defined growth strategy has made Canadian Natural synonymous with value creation.

The annual meeting of shareholders will be held at 3:00 p.m. on Wednesday, May 13, 1998, in the Ballroom of the Metropolitan Centre, Calgary, Alberta. All shareholders are invited to attend.

HIGHLIGHTS ($ millions, except per share amounts)	1997	1996	% Change
FINANCIAL			
Gross Revenue	921.1	636.8	+45
Cash Flow from Operations	503.0	359.7	+40
Per Common Share	5.13	4.32	+19
Net Income	111.3	95.0	+17
Per Common Share	1.14	1.14	–
Net Capital Expenditures	1,114.5	1,200.8	–7
Long-term Debt	1,136.3	588.0	+93
Shareholders' Equity	1,204.3	1,074.2	+12
OPERATING			
Crude Oil and NGLs Production			
Thousands of barrels	25,776	13,688	+88
Barrels per day	70,619	37,399	+89
Average selling price $Cdn. per barrel	18.82	23.52	–20
Natural Gas Production			
Million cubic feet	228,315	182,746	+25
Million cubic feet per day	625.5	499.3	+25
Average selling price $Cdn. per thousand cubic feet	1.91	1.71	+12
Reserves			
Crude Oil and NGLs (mmbbls)			
Proven	270.4	140.9	+92
Probable	81.0	49.7	+63
Total	351.4	190.6	+84
Natural Gas (bcf)			
Proven	1,732.7	1,604.8	+8
Probable	363.2	362.3	–
Total	2,095.9	1,967.1	+7
Undeveloped Land Holdings (000s of acres)			
Gross	5,732	5,108	+12
Net	4,938	4,202	+18

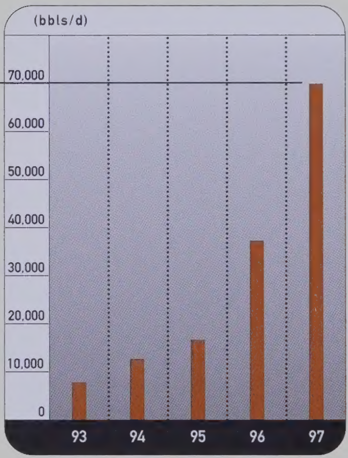
Cash Flow Per Share



$5.13 per share

Growth in production volumes and a continuing low cost operating structure resulted in a 19 percent increase in cash flow per share in 1997.

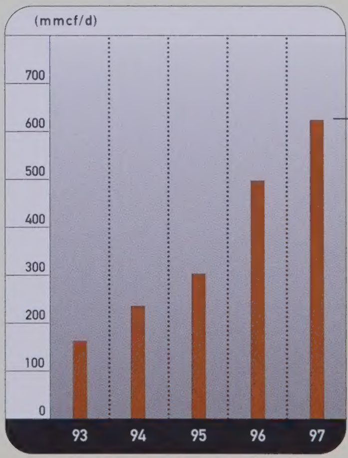
Oil and NGLs Sales



70,619 bbls/d

An 89 percent increase in oil and NGLs sales in 1997 is attributed to an emphasis on oil exploration and development over the last two years.

Natural Gas Sales



626 mmcf/d

Natural gas sales increased 25 percent in 1997 due to Canadian Natural's successful acquisition, exploitation and development programs combined with a large infrastructure of facilities.

Letter to Shareholders

We are results-driven

The results of Canadian Natural in 1997 are testimony to the theme of this year's annual report – *how we work.* The contribution of every member of our team, working together, is responsible for yet another year of record performance and increasing shareholder value.

Growth over the past nine years is evidenced by a minimum of 30 percent volume increases each year and average annual growth over the same period of 84 percent. We believe the key to this success is our consistent approach – the accumulation of a large undeveloped land base exclusively in Western Canada, a strong inventory of exploration and development opportunities, and growth based on a defined set of operating principles.

Highlights of 1997

Nineteen ninety-seven was a year of exceptional financial and operating results for Canadian Natural. Cash flow increased 40 percent to $503 million in 1997, from $360 million in 1996, while net income rose to $111 million from $95 million in the prior year. On a per share basis, cash flow was $5.13 and net income was $1.14 compared to $4.32 and $1.14, respectively, in 1996. These increases resulted from a combination of increased production volumes of both oil and natural gas and higher natural gas prices, offset by lower oil prices.

Canadian Natural pursued an active exploration program in 1997 on its large undeveloped land base which grew to 4.9 million net acres at January 1, 1998. This land base, together with several strategic property acquisitions in core areas completed during 1997, provides multiple exploration and development opportunities for coming years. The 1997 exploration program included the drilling of 711 net wells, the largest number in the Company's history. After acquiring Sceptre Resources Limited in 1996, Canadian Natural also capitalized on the opportunity to expand operations and optimize production through an aggressive exploitation and development program in 1997. The total capital budget for these programs of $1,115 million was funded from cash flow and available bank facilities.

These activities led to a 89 percent increase in average crude oil and natural gas liquids production to 70,619 barrels per day compared to 37,399 barrels per day in 1996. Natural gas production averaged 626 million cubic feet per day, a 25 percent increase over the 499 million cubic feet per day in the previous year.

Crude oil and natural gas liquids reserves increased 84 percent to 351 million barrels in 1997 compared to 191 million barrels a year earlier. These reserves do not include any reserves on undrilled acreage in the Pelican Lake area. Natural gas reserves rose to 2,096 billion cubic feet from 1,967 billion cubic feet in 1996. The reserve additions amounted to 4.6 times total 1997 production and were achieved at finding and on-stream costs of $5.02 per barrel of oil equivalent ($5.84 on a proven only basis). These low finding and on-stream costs ensured we were able to achieve our targeted recycle ratio of at least 2 to 1.

A record year for drilling in the Canadian oil and natural gas industry resulted in increased demand and competition for necessary services and equipment. Within this competitive environment, we were successful in maintaining our planned drilling and facility construction program. In our core areas we constructed or expanded 15 compressor stations, six new oil batteries, and installed over 420 miles of pipeline and sales systems.

Of note during the second quarter of the year, Canadian Natural spent $45 million to acquire Crown oil sands leases covering 58 sections of land in the Pelican Lake area of North Central Alberta. This was one of the most significant purchases of land in the Company's history. These lands are located northeast of lands which we had acquired in 1996 and successfully drilled in the first quarter of 1997. During 1998, development of these lands will commence with the drilling of up to 100 horizontal wells, together with the construction of access roads, pipelines and batteries. Much of the infrastructure will be completed in the first quarter of 1998, and further development of the area will occur over the next several years. Additionally, a 30 percent working interest was acquired in the Pelican Lake Pipeline System Expansion project. This project is expected to be completed in May 1998, with an initial capability to transport 150,000 barrels per day of blended crude.

CREATING VALUE

We often refer to "shareholder value". What does this mean to Canadian Natural? Creating value for shareholders is fundamental to every decision we make in the course of our business. Our responsibility is to be profitable and increase the value of our assets, thereby increasing returns on the capital entrusted to us by shareholders. Canadian Natural considers benchmarks such as earnings, return on equity and recycle ratios to be important measures of our ability to manage our business profitably.

Profitability combines successful operations with effective cost controls. By operating over 90 percent of our production, we have managed to remain one of the lowest-cost producers in the industry with operating costs consistently in the area of $4.00 per barrel of oil equivalent. General and administrative costs are also among the lowest in the industry. A flat organization that emphasizes teamwork is an approach that has proven motivational and cost effective. All field and office employees are owners of the Company through our stock option and savings plan – aligning their interests with those of external shareholders.

LOOKING AHEAD

Nineteen ninety-eight will prove a challenging year, particularly in light of recent crude oil price weakness and wide "differential" prices. The increasing supply of heavy oil in Canada has caused a widening of the price spread between light and heavy gravity crude oils. This price differential, between the benchmark West Texas Intermediate (WTI) light oil and the Lloydminster blend, reached U.S. $7.85 per barrel in December 1997.

To counter the effects of the increasing differential, the Company locked in production in 1998 of 23,500 barrels per day at a fixed differential of U.S. $6.08 per barrel. In addition, the Company has locked in, for calendar year 1998, the WTI price on 20,000 barrels per day of production at a price of U.S. $20.58 per

Our mission is to develop people to work together to create value for the Company's shareholders, with fun and integrity.

Allan Markin, John Langille

barrel. This hedging program, together with Canadian Natural's cost effective operations, allows us to continue to produce heavy oil economically. However, due to the effects of the wide differential and the overall weakness in oil prices, new drilling activities on the Company's extensive heavy oil operations are being deferred until the pricing allows us to achieve an appropriate recycle ratio. Offsetting the weakness in crude oil pricing is the continuing firming of projected 1998 average natural gas prices near the $2.00 per thousand cubic feet mark as additional pipeline access is made available to U.S. markets late in 1998.

Our 1998 capital expenditure budget, excluding an acquisition budget of between $110 and $260 million, is currently set at $590 million. This budget includes the drilling of approximately 600 wells and will be funded by cash flow and credit facilities. We anticipate cash flow between $510 and $540 million and cash flow per share of $5.16 to $5.44 in 1998, based on average daily production of between 160,000 and 165,000 barrels of oil equivalent per day. Crude oil and natural gas liquids production will be in the range of 90,000 to 100,000 barrels per day with natural gas production amounting to 690 to 720 million cubic feet per day. These estimates are based on an average WTI oil price of U.S. $17.50 per barrel, a natural gas price of $2.00 per thousand cubic feet and an average Canadian dollar at U.S. $1.42.

A CONSISTENT STRATEGY

Throughout various price cycles, Canadian Natural has continued to follow the same operating principles and growth strategy. Our operations base will remain in Western Canada where our large undeveloped land inventory provides the ability to grow production volumes at the expected rate of at least 15 percent per year. Although our asset value has reached over $3 billion, we will continue to remain flexible and prepared for changing market conditions.

We would like to take this opportunity to thank our employees – those responsible for our consistent growth and track record. Their determination to ensure our operating principles and strategies are applied successfully has enabled Canadian Natural to attain our current status in the industry.

Canadian Natural is a confident, forward-looking company. We are focused on our mission, one that centres upon long-term value creation. This is how we work.

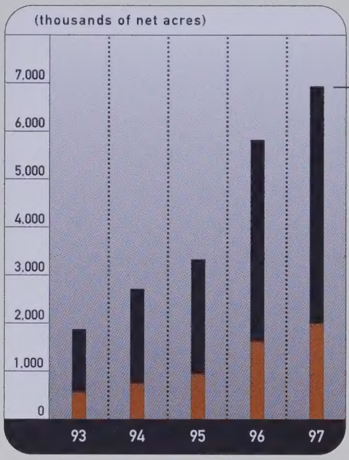
On Behalf of the Board of Directors,

JOHN G. LANGILLE
President

ALLAN P. MARKIN
Chairman

March 18, 1998

Land Holdings

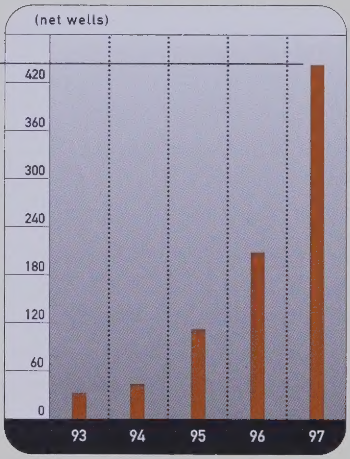


6,938 net acres (000s)

Undeveloped
Developed

Canadian Natural continued to build on its extensive land base in concentrated areas of Western Canada.

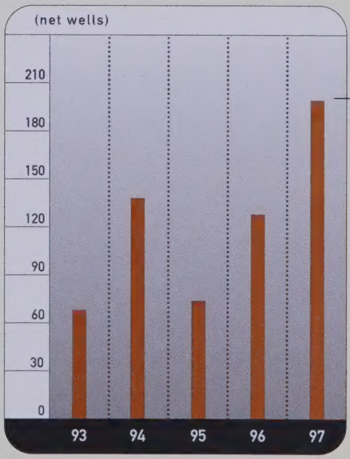
Drilling Activity – Oil



442.9 net oil wells

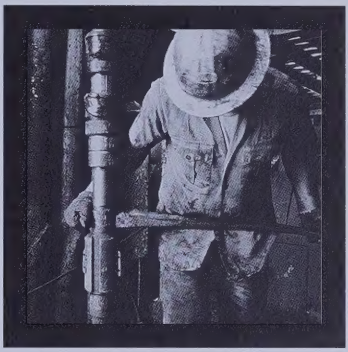
A strong inventory of prospects led to a doubling of the number of oil wells drilled in 1997 compared to the previous year.

Drilling Activity – Natural Gas



199.6 net gas wells

Of the total wells drilled in 1997, 28 percent were gas wells, while 56 percent of total wells are expected to be gas wells in 1998.



Review of Operations

We seek strategic growth

Nine years ago, Canadian Natural established operating principles that continue to guide the Company today. These principles, and their accompanying philosophies, include the following:

Effective Cost Control

Canadian Natural is a very low cost producer by industry standards. Operating costs have consistently remained at approximately $4.00 per barrel of oil equivalent. Additional weighting towards oil in the last two years has marginally increased operating costs. However, 1998 operating costs are projected to decrease by four percent to $4.04 per barrel of oil equivalent. General and administrative expenses also remain one of the lowest in the industry as a result of streamlined operations and high level of operatorship.

Manageable Bank Debt

Maintaining appropriate levels of debt enables Canadian Natural to remain flexible and take advantage of opportunities. As the Company's asset base and level of operations have increased, its tolerance toward higher debt levels has also increased while overall interest rates and the cost per barrel of oil equivalent have stabilized at lower levels. The targeted 1998 year-end debt is expected to be between 2.0 and 2.4 times fourth quarter annualized cash flow.

Defined Growth Strategy

- Internally generated prospects;
- Control operations through operatorship and 100 percent working interests;
- Pursue medium-depth, medium-risk, multi-zone prospects, typically at depths of less than 6,000 feet; and
- Pursue acquisitions which fit strategically with the existing base of operations.

UNDEVELOPED LAND

Canadian Natural continued to aggressively increase its undeveloped land base in 1997, focusing on five core regions. At January 1, 1998, undeveloped land holdings were 4.9 million net acres, an 18 percent increase over the 4.2 million net acres at the beginning of 1997. The majority of the increased land base was due to the Company's participation at Crown land sales and 136 property acquisitions. The average cost of acquiring land at provincial land sales was $120 per acre in 1997 compared to $72 per acre in 1996.

Of Canadian Natural's total land base, 91 percent is located within the core activity regions. In keeping with its strategy, Canadian Natural's average working interest in its undeveloped land increased to 86 percent from 82 percent in 1996. This sizable land base will generate ongoing prospects over the next several years.

Land Holdings			1997			1996
	Gross Acres	Net Acres	Average Interest	Gross Acres	Net Acres	Average Interest
Developed	2,781,894	1,999,316	72%	2,405,849	1,623,516	67%
Undeveloped	5,731,641	4,938,257	86%	5,108,473	4,201,620	82%
Total	8,513,535	6,937,573	81%	7,514,322	5,825,136	78%

The geographic location of the undeveloped land is as follows:

Net Undeveloped Land (thousands of acres)	1997	1996
British Columbia	745	667
Alberta	2,974	2,383
Saskatchewan	888	938
Other	331	214
Total Undeveloped Land	4,938	4,202

SEISMIC

The use of seismic data continued to be integral for internally generating growth. In 1997, the Company expended $37.9 million to perform its own seismic programs and purchase and reprocess existing data. Under this program, Canadian Natural shot 2,590 miles of conventional seismic, 60 square miles of 3-dimensional seismic and 28 square miles of swath data. The Company also purchased 3,040 miles of conventional data and 35 square miles of 3-dimensional seismic.

DRILLING ACTIVITY

In 1997, Canadian Natural increased the number of wells drilled by 77 percent to a record 711.0 net wells compared to 400.9 net wells in the previous year. The increase in the Company's land base in 1996 and 1997 enabled the Company to generate numerous prospects which were pursued during the year. Approximately 70 percent of the 1997 drilling targets were oil and 30 percent were natural gas, with an overall success rate of 91 percent. Canadian Natural's five core areas were the site of 97 percent of the wells drilled. In the past three years, the Company maintained an average working interest of over 90 percent in the wells drilled as operator.

Drilling Activity	1997		1996		1995		1994	
(number of wells)	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gas	237	199.6	134	128.1	74	73.9	138	135.0
Oil	486	442.9	228	208.9	119	112.5	46	38.7
Injection	2	1.5	2	1.0	–	–	–	–
Dry	75	67.0	64	62.9	23	22.3	45	43.2
Total	800	711.0	428	400.9	216	208.7	229	216.9

For 1998, another active drilling program is planned, with more than 600 wells to be drilled primarily in the core areas. The 1998 drilling program will focus on light oil and natural gas projects (83 percent) and development of Pelican Lake in North Central Alberta (17 percent).

PRODUCTION AND SALES

Canadian Natural's crude oil and natural gas liquids sales increased to 70,619 barrels per day in 1997, an 89 percent increase over sales of 37,399 barrels per day in 1996. Increased oil production from properties in British Columbia, Eastern Alberta and Pelican Lake in North Central Alberta were primarily responsible for this increase.

Natural gas sales increased 25 percent in 1997 to 625.5 million cubic feet per day compared to 499.3 million cubic feet per day in 1996. The Northern Alberta region is the primary natural gas producing area, representing approximately half of total Company sales.

The large volume growth experienced by the Company in 1997 was the result of the effective combination of drilling success and strategic acquisitions. Canadian Natural's production mix on a barrel of oil equivalent basis became more balanced in 1997, with 53 percent crude oil and natural gas liquids and 47 percent natural gas, compared to 43 percent and 57 percent, respectively, in 1996. The heavy oil produced from the Company's Eastern Alberta/Western Saskatchewan region, on a barrel of oil equivalent basis, was 27 percent of overall production in 1997. In 1998, that region's portion of total production will be reduced to less than 23 percent.

CORE REGIONS OF ACTIVITY

Canadian Natural's focused areas of exploration and development are situated in the Western Canadian Sedimentary Basin. The Basin remains relatively undeveloped with the presence of numerous exploitation and development opportunities. These opportunities will be further enhanced as new technologies improve drilling and production methods. Today, Canada is a leader in the advancement of new technologies which has resulted in widespread improvements throughout the domestic oil and gas industry, from increased drilling capabilities to enhanced reservoir recoveries and improved economics.

Canadian Natural capitalizes on the opportunities within Western Canada while utilizing the latest technologies to increase efficiencies and maximize production. The Company's five core areas contain all the various types of oil and natural gas reserves. Natural gas and related liquids production are concentrated in Northeast British Columbia, North Central Alberta and South Central Alberta; light oil production is primarily in Northeast British Columbia and the Williston Basin; and heavy oil production is focused in Eastern Alberta and Western Saskatchewan. Canadian Natural's strategy is to operate and control the infrastructure of plants, batteries and pipelines necessary to ensure timely and efficient tie-in of newly discovered reserves. With over 91 percent of Canadian Natural's undeveloped land holdings in these areas, the Company is focused while also retaining the flexibility to adapt its planned capital programs to take advantage of opportunities that arise in the areas.

NORTHEASTERN B.C./NORTHWESTERN ALBERTA

		1997	1998 Forecast
Average Production			
	Gas	185 mmcf/d	222 mmcf/d
	Oil	14,500 bbls/d	16,000 bbls/d
Drilling Activity		76 net wells	90 net wells
Undeveloped Land (000s)		944 net acres	

Canadian Natural has operated in this light oil and natural gas-focused area for the past eight years, accumulating 944,000 undeveloped net acres by the end of 1997. The Company typically pursues production from numerous zones at drilling depths of up to 5,000 vertical feet. Today, Canadian Natural is among the largest oil producers and active drillers in British Columbia.

Aggressive exploration and development and the use of horizontal drilling have led to a threefold increase in oil production since 1993. The majority of the growth in oil volumes has come from the Buick Creek area where the Company has been successful in applying underbalanced, multi-lateral, horizontal drilling. On this particular field, oil production rose to 7,000 barrels per day in 1997 from 75 barrels per day three years ago. Natural gas production has also shown significant growth. In 1998, current plans are to drill 30 percent of the wells in this region horizontally.

EASTERN ALBERTA/WESTERN SASKATCHEWAN

		1997	1998 Forecast
Average Production			
	Gas	10 mmcf/d	10 mmcf/d
	Oil	35,500 bbls/d	38,400 bbls/d
Drilling Activity		334 net wells	10 net wells
Undeveloped Land (000s)		687 net acres	

Canadian Natural has achieved significant growth in this heavy oil area since the Company initially purchased 2,500 barrels per day of production in 1993. The region contains multi-zone potential at depths of up to 2,500 feet. Volume growth has been achieved through a combination of key acquisitions and drilling success.

Eastern Alberta/Western Saskatchewan was the Company's most active area in 1997. The Company conducted vertical and slant hole drilling for primary depletion of reservoirs. In addition, the Steam Assisted Gravity Drainage operation at Tangleflags was expanded to optimize economic production from this area which overlapped with the acquisition of Sceptre Resources in 1996 and offered strong operating synergies.

However, due to commodity price weakness, this region will be the Company's least active area in 1998. Currently, the Company has shut-in approximately 5,500 barrels per day of oil production from wells with high operating costs. Despite this situation, Canadian Natural remains a low cost, efficient producer of heavy oil and has an extensive inventory of locations to be pursued when heavy oil netbacks recover.

NORTH CENTRAL ALBERTA

		1997	1998 Forecast
Average Production			
	Gas	310 mmcf/d	324 mmcf/d
	Oil	5,000 bbls/d	22,000 bbls/d
Drilling Activity		200 net wells	295 net wells
Undeveloped Land (000s)		2,043 net acres	

North Central Alberta is Canadian Natural's flagship natural gas production area that has been Company-operated for nine years. Over this period of time, Canadian Natural has grown its gas production in the region from only six mmcf per day. Today, the region accounts for nearly half of the Company's total gas production and is also a source of light oil production. North Central Alberta is characterized by numerous low risk, multi-zone, shallow gas production targets at drilling depths of up to 3,000 feet.

An extensive land base consists of two million undeveloped net acres, 41 percent of the Company's total undeveloped land. Company-operated infrastructure in the region includes 62 compression facilities, 11 gas plants and several hundred miles of gas gathering lines. This infrastructure contributes significantly to the Company's profitability, allowing for the drilling and tie-in of volumes efficiently and economically, at low on-stream costs. Growth in projected oil production will come from the Pelican Lake project which is located in the northern end of this region.

SOUTH CENTRAL ALBERTA

		1997	1998 Forecast
Average Production			
	Gas	105 mmcf/d	128 mmcf/d
	Oil	7,300 bbls/d	8,000 bbls/d
Drilling Activity		50 net wells	154 net wells
Undeveloped Land (000s)		194 net acres	

South Central Alberta is a shallow to medium depth natural gas and light oil production area in which Canadian Natural became involved after the Sceptre Resources acquisition. The region exhibits similar geological characteristics to the North Central Alberta area, enabling the Company to apply its acquired expertise. The Company's undeveloped land base in the region grew to 194,000 net acres in 1997.

Since operations began in this region, Canadian Natural's identification of under-capitalized and under-exploited gas reservoirs has contributed to significant production growth. The region also contains excellent potential to increase recovery from known oil pools through work-overs, recompletions and infill drilling. Furthermore, a large existing infrastructure allows the Company to maintain low costs in the area.

WILLISTON BASIN

		1997	1998 Forecast
Average Production			
	Gas	2 mmcf/d	2 mmcf/d
	Oil	6,700 bbls/d	8,400 bbls/d
Drilling Activity		30 net wells	41 net wells
Undeveloped Land (000s)		363 net acres	

Canadian Natural's activity in this region began with the Sceptre Resources acquisition. At year-end 1997, the Company had 363,000 undeveloped net acres in this light, sour crude oil producing region.

The Williston Basin is a multi-zone area that contains excellent exploitation opportunities in presently known oil reservoirs. Initial development of this area will be through horizontal drilling primarily in the Alameda, Lost Horse Hills and Steelman areas. This region also contains exploration potential on adjacent lands with similar geologic trends.

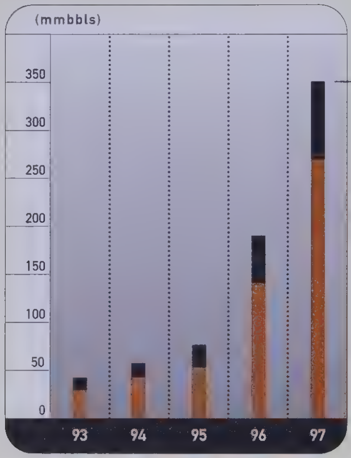
Average Daily Sales by Region	1998 Mid Range Forecast	1997	1996	1995	1994
Crude Oil and NGLs (mbbls/d)					
Northeastern British Columbia/					
Northwestern Alberta	16.0	14.5	11.5	8.6	6.3
Eastern Alberta/Western Saskatchewan	38.4	35.5	11.8	4.4	3.0
North Central Alberta	22.0	5.0	5.8	0.6	–
South Central Alberta	8.0	7.3	4.2	–	–
Williston Basin	8.4	6.7	3.4	–	–
Other	2.2	1.6	0.7	3.2	3.5
Total	95.0	70.6	37.4	16.8	12.8
Natural Gas (mmcf/d)					
Northeastern British Columbia/					
Northwestern Alberta	222	185	137	97	83
Eastern Alberta/Western Saskatchewan	10	10	6	12	9
North Central Alberta	324	310	289	173	129
South Central Alberta	128	105	49	–	–
Williston Basin	2	2	1	–	–
Other	19	14	17	23	17
Total	705	626	499	305	238

Major Properties Reserves and Values

(as at January 1, 1998)	Crude Oil and NGLs		Natural Gas		Value*	
	mbbls	%	mmcf	%	$ thousands	%
Region						
Northeastern British Columbia/						
Northwestern Alberta	51,872	14.76	689,171	32.88	937,039	26.98
Eastern Alberta/Western Saskatchewan	228,328	64.97	57,789	2.76	933,415	26.87
North Central Alberta	16,395	4.67	797,874	38.07	794,523	22.88
South Central Alberta	28,479	8.10	348,331	16.62	484,700	13.95
Williston Basin	16,889	4.81	5,706	0.27	136,404	3.93
Other	9,466	2.69	197,020	9.40	146,027	4.20
Alberta Royalty Tax Credit and						
Corporate Capital Cost Allowance					41,233	1.19
Total	351,429	100.00	2,095,891	100.00	3,473,341	100.00

** Estimated future net revenues before income taxes, discounted at 10%, as evaluated in the Reserve Evaluation (page 16).*

Crude Oil and NGLs Reserves

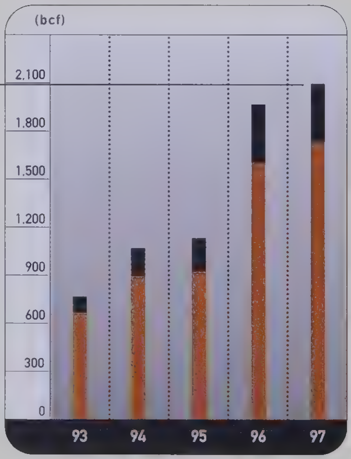


351 mmbbls

Probable
Proven

Canadian Natural's 1997 year end oil and liquids reserves, which increased 84 percent, did not include reserves associated with the undrilled lands at Pelican Lake.

Natural Gas Reserves

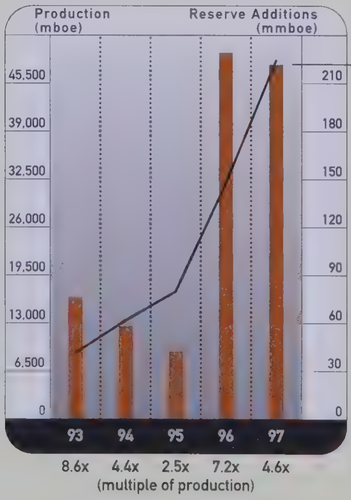


2,096 bcf

Probable
Proven

The Company's natural gas reserves have a long life of 9.5 years, with only 17 percent of the total gas reserves classified as probable.

Reserve Replacement



222 mmboe

Production
Reserve Additions

An important indicator of Canadian Natural's ability to attain consistent growth is its record of reserve replacement at a high multiple.

RESERVES

Canadian Natural's year-end reserves on a barrel of oil equivalent basis increased in 1997 to 561 million barrels. Of this total, 97 percent of the oil and natural gas liquids reserves and 91 percent of the natural gas reserves are located within the Company's five core areas.

During 1997, Canadian Natural's proven and probable crude oil and natural gas liquids reserves increased 84 percent to 351.4 million barrels from 190.6 million barrels in 1996. The Company has not recorded any proven undeveloped or probable reserves on its large, 100 percent owned block of undrilled acreage at Pelican Lake. These reserves could add 175 to 200 million barrels of oil to the Company's interest. Proven and probable natural gas reserves totalled 2,096 billion cubic feet compared to 1,967 billion cubic feet in the prior year.

A reserve replacement ratio of 4.6 results from the production of 48.6 million barrels of oil equivalent in 1997 and the addition of 222.3 million barrels of oil equivalent.

On a proven and probable basis, the Company's reserve life index is 8.5 years for crude oil and 9.5 years for natural gas.

The Company's finding, development and on-stream costs in 1997, on a barrel of oil equivalent basis, decreased to $5.02 from $5.24 in 1996. Over the past eight years, Canadian Natural's finding costs on a proven plus probable basis have averaged $4.88 per barrel of oil equivalent. On a proven barrel of oil equivalent basis, the Company's on-stream cost declined to $5.84 in 1997 from $6.40 in the prior year. This level enables the Company to realize a greater than 2 to 1 recycle ratio, a measurement which compares the Company's cash flow on a barrel of oil equivalent basis against finding and on-stream costs.

Finding and On-stream Costs ($ millions)	1997	1996	1995	1994	1993	1992	1991	1990	8 Years
Capital Expenditures									
Corporate acquisition	–	654.2	–	–	–	–	–	–	654.2
Net property acquisitions and dispositions	**386.3**	164.6	24.0	85.1	170.5	52.6	31.2	8.5	922.8
Seismic and geological evaluation	**38.9**	32.5	19.1	29.3	9.1	3.8	2.7	2.7	138.1
Administration capitalized	–	–	–	–	–	0.5	0.4	0.3	1.2
Land acquisition and retention	**98.3**	55.6	30.7	63.4	24.3	4.8	5.0	5.5	287.6
Well drilling, completion, equipping	**350.7**	163.8	92.2	77.3	38.1	17.3	16.1	6.5	762.0
Pipeline and production facilities	**240.3**	130.1	71.5	75.3	28.2	10.4	3.6	9.3	568.7
Total Net Property Expenditures	**1,114.5**	1,200.8	237.5	330.4	270.2	89.4	59.0	32.8	3,334.6
Head Office Equipment	**4.6**	2.8	1.3	0.7	1.0	0.6	0.2	0.1	11.3
Total Capital Expenditures	**1,119.1**	1,203.6	238.8	331.1	271.2	90.0	59.2	32.9	3,345.9
Cost of Net Reserve Additions ($/BOE)									
Before reserve revisions	**4.99**	5.24	5.74	6.45	3.64	3.00	3.15	3.41	4.92
After reserve revisions	**5.02**	5.24	5.55	5.66	3.66	3.07	3.18	3.45	4.88

Reserve Reconciliation

	Crude Oil and Liquids (mbbls)		Natural Gas (mmcf)	
	Proven	Probable	Proven	Probable
January 1, 1996	53,276	23,476	923,708	208,114
Discoveries and Purchases	101,933	22,756	802,884	260,037
Property Disposals	(248)	–	(8,095)	(5,604)
Production	(13,688)	–	(182,746)	–
Revisions of Prior Estimates	(342)	3,475	69,023	(100,203)
January 1, 1997	140,932	49,707	1,604,774	362,344
Discoveries and Purchases	150,704	32,012	416,741	39,295
Property Disposals	(1,120)	(2)	(34,585)	(2,364)
Production	(25,776)	–	(228,315)	–
Revisions of Prior Estimates	5,681	(709)	(25,880)	(36,119)
January 1, 1998	270,421	81,008	1,732,735	363,156

Reserve Evaluation

(as at January 1, 1998)	Company Interest Reserves Before Royalty			Present Value Before Tax of Future Cash Flow (000s)	
	Crude Oil (mbbls)	Liquids (mbbls)	Natural Gas (mmcf)	10% $	15% $
Proven	251,952	18,469	1,732,735	3,219,885	2,684,550
Probable	77,246	3,762	363,156	253,456	170,101
Total January 1, 1998	329,198	22,231	2,095,891	3,473,341	2,854,651
Total January 1, 1997	175,055	15,584	1,967,118	2,789,161	2,295,796
Change (%)	88.1	42.7	6.5	24.5	24.3

** 96 percent of the Company's reserves are evaluated by Sproule Associates Limited ("Sproule") with the remaining four percent evaluated internally by the Company's engineers.*

1. Value includes addition for processing revenue, the Alberta Royalty Tax Credit and the value of the corporate capital cost allowance.

2. Value of the probable reserves are reduced by 50% to account for risk.

3. The oil price forecast is based on the benchmark price of West Texas Intermediate crude oil delivered at Cushing, Oklahoma. That price is translated to Canadian dollars and adjusted for transportation and quality differential to arrive at the sales price projected for the Company. Natural gas prices are based on contract and quality conditions.

The prices used in the evaluation are as follows:

	Crude Oil WTI at Cushing $U.S. per barrel		Average Company Sales Prices – Proven Reserves: Crude Oil $Cdn. per bbl		Natural Gas $ per mcf	
	1998	1997	1998	1997	1998	1997
1998	*20.52*	*20.39*	*19.53*	*21.65*	*1.85*	*1.90*
1999	*21.06*	*21.27*	*20.28*	*22.32*	*1.97*	*2.14*
2000	*21.61*	*22.18*	*21.23*	*23.37*	*2.07*	*2.28*
2001	*22.17*	*23.13*	*22.20*	*24.57*	*2.12*	*2.42*
2002	*22.75*	*24.12*	*22.85*	*25.84*	*2.22*	*2.56*
2003	*23.35*	*25.16*	*23.63*	*27.17*	*2.29*	*2.72*
2004	*23.96*	*26.23*	*24.45*	*28.60*	*2.37*	*2.86*
2005	*24.58*	*27.36*	*25.31*	*29.99*	*2.46*	*3.04*
2006	*25.22*	*28.53*	*26.17*	*31.46*	*2.55*	*3.16*
2007	*25.88*	*29.75*	*26.98*	*33.30*	*2.63*	*3.26*
Thereafter	*+2.6%*	*+4.3%*	*+3.6%*	*+4.7%*	*+3.5%*	*+3.2%*

MARKETING

Natural Gas

North American gas prices as measured by the NYMEX contracts averaged U.S. $2.63 per mmbtu in 1997, three percent higher than the 1996 average price. Gas prices remained strong throughout the year, primarily due to cold winter weather conditions in January on the east coast and general weather uncertainties later in the year. Although Canadian domestic prices improved considerably in 1997, as measured by the Alberta index of $1.78 per gigajoule compared to $1.32 per gigajoule in 1996, they continue to be much lower than the U.S. prices due to lack of export capacity. TransCanada PipeLines Limited (TCPL) added some 287 million cubic feet per day of export capacity in November 1997.

In 1997, Canadian Natural received a wellhead price of $1.91 per thousand cubic feet compared to $1.71 per thousand cubic feet in 1996. For 1998, based on current supply/demand fundamentals, Canadian Natural forecasts an average wellhead price of $2.00 per thousand cubic feet.

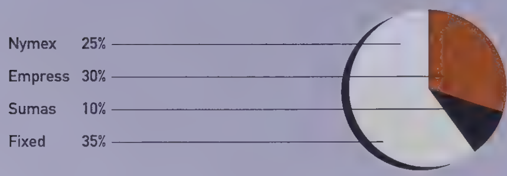
In 1998, it is anticipated that additional take-away capacity of approximately 1.1 billion cubic feet of gas per day will become available to Canadian producers through Northern Border's planned expansion of 700 million cubic feet per day to the U.S. midwest and TCPL's 425 million cubic feet per day expansion. By the second half of 2000, the Alliance Pipeline Project should be completed, adding a further 1.3 billion cubic feet per day of export capacity to the midwest United States.

Canadian Natural's total sales increased to 626 million cubic feet per day in 1997 from 499 million cubic feet per day in 1996. The Company's sales portfolio is segmented into two major categories – direct sales and system buyers. Direct sales, which are secured directly by Canadian Natural, increased to 65 percent of the portfolio and the four large aggregators made up the remaining 35 percent in 1997.

Canadian Natural increased its export sales to 34 percent of total production in 1997 compared to 31 percent in 1996, and will further increase exports to 55 percent of the portfolio by November 1998.

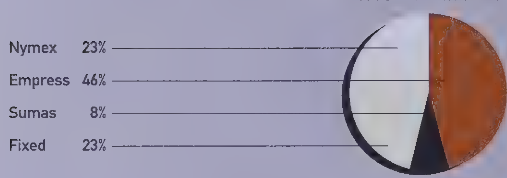
NATURAL GAS SALES PRICING PORTFOLIO

1998 – 705 mmcf/d



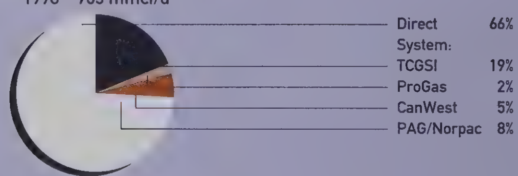
1997 – 626 mmcf/d

1996 – 499 mmcf/d

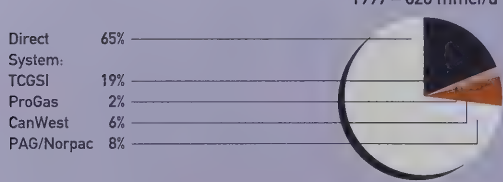


NATURAL GAS SALES PORTFOLIO

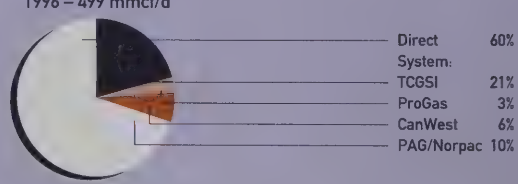
1998 – 705 mmcf/d



1997 – 626 mmcf/d



1996 – 499 mmcf/d



Crude Oil

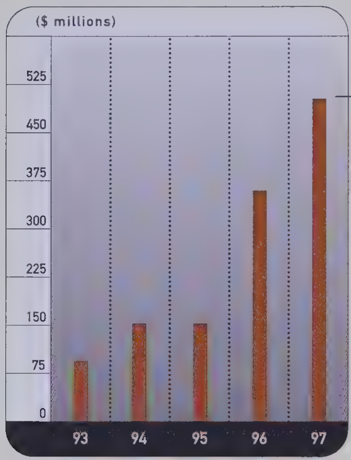
In 1997, Canadian Natural increased average production of crude oil by over 33,000 barrels per day to reach an average for the year of 70,619 barrels per day. Increased levels of industry production resulted in pipeline capacity restrictions on Interprovincial Pipe Line (IPL) in the last quarter of 1997. All of Canadian Natural's production was able to reach the intended markets and the Company expects to meet the challenge again in 1998 until the planned December expansion of about 60,000 barrels per day is completed. A further expansion of the IPL system of 160,000 barrels per day is planned for the end of 1999.

During 1997, Canadian Natural continued to market the majority of its production directly. The Company's crude oil production mix consisted of 48 percent light and medium crude oil, 47 percent heavy oil (15 degrees API or less) and five percent natural gas liquids.

The price of WTI crude oil remained firm in 1997 at a yearly average of U.S. $20.61 per barrel compared to U.S. $22.01 per barrel in 1996. The average oil price received by the Company during the year was $18.82 per barrel. Heavy oil price differentials compared to the WTI price continued to widen in 1997, however, Canadian Natural's heavy oil production received an average price of $14.12 per barrel partially due to price hedging. For 1998, the Company has 23,500 barrels per day of heavy oil hedged at an average differential of U.S. $6.08 per barrel.

Current average volumes forecasted for Canadian Natural in 1998 are between 90,000 and 100,000 barrels per day of crude oil, consisting of 54 percent light and medium crude oil, 41 percent heavy oil (15 degrees API or less) and five percent natural gas liquids. Based on a 1998 forecast price of U.S. $17.40 per barrel for WTI, Canadian Natural's estimated wellhead price will be $14.30 per barrel.

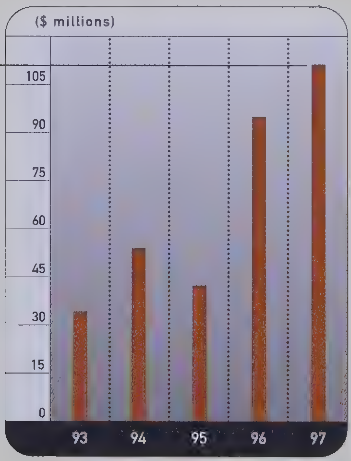
Cash Flow From Operations



$503 million

Canadian Natural's cash flow increased 40 percent in 1997 despite a 20 percent reduction in crude oil prices.

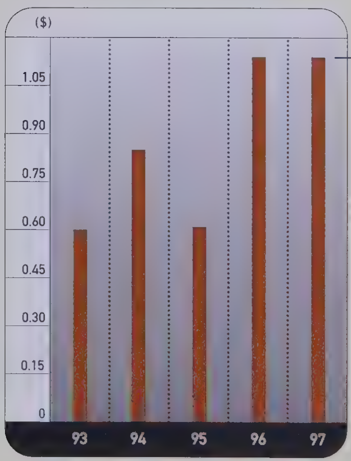
Net Earnings



$111.3 million

Record net earnings in 1997 reflect the Company's emphasis on the creation of shareholder value.

Net Earnings Per Share



$1.14 per share

A consistent low cost structure contributes to profitability, as evidenced by net earnings per share.

Management's Discussion & Analysis

We create shareholder value

In 1997, Canadian Natural achieved record production, cash flow and income. Several important benchmarks established by the Company were achieved during the year. As outlined in the following discussion, production volumes were well above the targeted yearly increase, total cash expenses were lower compared to the previous year, total finding costs fell for the third consecutive year and reserve additions replaced production 4.6 times. These results were due to the continued adherence to a fundamental operating philosophy of a focused exploration and development program, strategic acquisitions, a sound marketing strategy, strict cost controls and prudent risk management strategies. The following discussion details Canadian Natural's 1997 financial results compared to 1996, including its capital expenditure program and outlook for 1998. This discussion should be read in conjunction with the consolidated financial statements and notes for a full understanding of Canadian Natural's financial position and results of operations. All data is presented in Canadian dollars.

Summary of Results

	Crude Oil & NGLs ($/bbl)		Natural Gas ($/mcf)		$/BOE	
	1997	1996	1997	1996	1997	1996
Revenue	18.82	23.52	1.91	1.71	18.95	19.92
Royalties	3.01	4.50	0.33	0.23	3.14	3.27
Production	4.95	5.04	0.34	0.33	4.23	4.06
Operating Netback	10.86	13.98	1.24	1.15	11.58	12.59
Administration					0.26	0.24
Interest					0.76	0.84
Capital Taxes					0.21	0.26
Cash Flow Netback					10.35	11.25
Depreciation, Depletion and Amortization					5.94	5.71
Unrealized Foreign Exchange Loss					0.17	–
Deferred Income Taxes					1.95	2.57
Net Earnings					2.29	2.97

CASH FLOW AND NET EARNINGS

Cash flow increased 40 percent to $503.0 million in 1997 from $359.7 million in 1996. On a per share basis, cash flow increased 19 percent to $5.13 per share in 1997 from $4.32 per share in 1996. Net earnings reached $111.3 million in 1997 compared to $95.0 in 1996, a 17 percent increase and, on a per share basis, stayed constant at $1.14 per share. Both cash flow and net earnings increased as a result of higher production volumes offset by a lower netback per barrel of oil equivalent. Details are outlined in the following relevant sections.

GROSS REVENUE

Canadian Natural's gross revenue increased 45 percent to $921.1 million in 1997 from $636.8 million in 1996 as production volumes, on a barrel of oil equivalent basis, increased 52 percent to average 133,171 barrels of oil per day in 1997 versus 87,330 barrels of oil per day in 1996. Crude oil and natural gas liquids volumes averaged 70,619 barrels per day in 1997, representing an 89 percent increase over 1996. In addition, natural gas volumes increased 25 percent to 625.5 million cubic feet per day in 1997 from 499.3 million cubic feet per day in 1996. These increases are a direct result of the Company's exploration success coupled with an ability to maximize existing properties' productivity.

Natural gas prices received by Canadian Natural increased 12 percent to $1.91 per thousand cubic feet in 1997 from $1.71 per thousand cubic feet in 1996. North American gas markets strengthened significantly in late 1996 and early 1997, offset somewhat by an unusually mild winter season in late 1997. Crude oil and liquids prices received by the Company fell to $18.82 per barrel in 1997 from $23.52 per barrel in 1996, a 20 percent decline. This was due to a decline in world oil prices and an increase in lower priced heavy oil production as a percentage of the Company's total crude oil product mix.

Canadian Natural's 1997 gross revenue was comprised of 47 percent gas revenue (49 percent in 1996) and 53 percent oil and liquids revenue (51 percent in 1996). Continued focus on drilling, acquiring and developing the Company's oil prospects resulted in oil volumes that increased at a greater rate than natural gas volumes in 1997. Net oil wells drilled accounted for 62 percent of the total well program in 1997 compared to 52 percent in 1996.

Oil revenue in 1997 was reduced by $4.5 million (1996 – $16.5 million) and gas revenue was reduced by $14.3 million (1996 – $4.5 million) as a result of the utilization of financial instruments as a risk management tool.

Analysis of Gross Revenue Increase

($ millions)

Reported 1996 Revenue	636.8
Effect on Revenue of:	
Increased volumes of crude oil and liquids	284.3
Decreased price of crude oil and liquids	(121.2)
Increased volumes of natural gas	78.1
Increased price of natural gas	43.7
Decreased other income	(0.6)
Reported 1997 Revenue	921.1

ROYALTIES

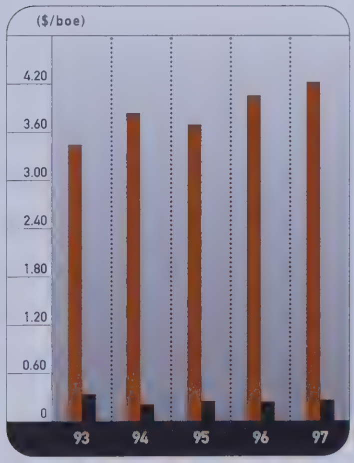
On a barrel of oil equivalent basis, royalties (net of Alberta Royalty Tax Credit) declined four percent to $3.14 in 1997 from $3.27 in 1996 reflecting a lower sales price received in 1997. Crude oil and liquids royalty rates decreased to 16.0 percent in 1997 from 19.1 percent in 1996 for two reasons. First, prices decreased to $18.82 per barrel in 1997 from $23.52 per barrel in 1996 which lowers the royalty rates charged by the provinces. Second, a portion of the Company's production in 1997 received the special royalty rate to encourage development of the related oil sands leases.

Natural gas royalty rates increased to 17.3 percent in 1997 from 13.5 percent in 1996, due to the higher price received by the Company for its sales of natural gas. In addition, the Company realized reduced revenues from hedging activities which causes the overall royalty percentage to increase.

PRODUCTION EXPENSES

Production expenses increased four percent in 1997 to $4.23 per barrel of oil equivalent from $4.06 per barrel of oil equivalent in 1996. Oil and liquids production expenses decreased to $4.95 per barrel in 1997 from $5.04 per barrel in 1996 while natural gas production expenses increased marginally to $0.34 per thousand cubic feet in 1997 from $0.33 per thousand cubic feet in 1996. This slight increase occurred due to an escalated demand throughout the industry for various services necessary to operate producing properties. Production expenses are forecasted to be $4.04 per barrel of oil equivalent in 1998 as lower cost production comes on stream.

Operating and Administrative Expenses



ADMINISTRATIVE EXPENSES

Total administrative expenses increased to $12.8 million in 1997 from $7.7 million in 1996 due to the Company's increasing activities. However, on a per barrel of oil equivalent basis, the gross administrative expense declined to $0.73 in 1997 from $0.82 in 1996 and, on a net basis, remained relatively constant at $0.26 in 1997 versus $0.24 in 1996. Canadian Natural does not capitalize any administrative expenses including salaries or other expenses relating to its exploration department. In addition, the Company does not charge overhead to 100 percent-owned producing projects. For 1998, administrative expenses, after recoveries, are expected to be $0.25 per barrel of oil equivalent.

General and Administrative Expenses

($ millions)	1997 Total	1997 $/BOE	1996 Total	1996 $/BOE
Gross Costs	35.5	0.73	26.1	0.82
Operator Recoveries	(22.7)	(0.47)	(18.4)	(0.58)
General and Administrative Expenses	12.8	0.26	7.7	0.24

INTEREST

An increase in average debt outstanding offset by lower interest rates in 1997 compared to 1996 caused the Company's total interest expense to increase to $37.0 million in 1997 from $26.7 million in 1996. However, on a barrel of oil equivalent basis, interest expense declined to $0.76 in 1997 from $0.84 in 1996. Further, as a percentage of gross revenue, interest expense remained constant at four percent in both 1997 and 1996. Interest rates in 1998 are expected to remain within the average levels experienced in the last quarter of 1997.

DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization increased 58 percent to $288.8 million in 1997 from $182.4 million in 1996 which mirrored the Company's increase in production and asset base, on which the calculation is based. On a barrel of oil equivalent basis, the expense increased four percent to $5.94 in 1997 from $5.71 in 1996.

UNREALIZED FOREIGN EXCHANGE LOSS

During the first and fourth quarters of 1997, the Canadian dollar's value declined relative to the U.S. dollar. Canadian Natural has U.S. $98 million of its debt denominated in U.S. dollars and, accordingly, in the year incurred an unrealized foreign currency loss of $8.2 million or $0.17 per barrel of oil equivalent. Currently, it is the intention of the Company to continue hold this U.S. denominated debt.

TAXES

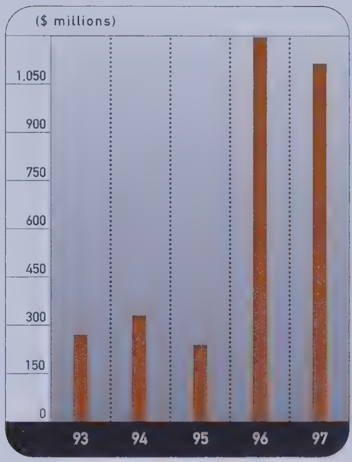
The deferred income tax provision for 1997 increased to $94.7 million from $82.2 million in 1996 as a result of increased earnings before income taxes. The Company's effective tax rate remained constant at 44 percent in 1997. Canadian Natural is not currently liable for the payment of federal income taxes. No tax liability is anticipated during 1998 as available tax pools ($1.6 billion at the end of 1997) plus budgeted capital expenditures for 1998 will be sufficient to reduce taxable income to zero.

Capital taxes, which include the Federal Large Corporations tax, British Columbia capital tax and Saskatchewan capital tax, increased to $10.3 million in 1997 from $8.3 million in 1996 as a direct result of an increase in the capital base upon which these taxes are calculated.

LIQUIDITY AND CAPITAL RESOURCES

In 1997, Canadian Natural increased its unsecured line of credit to $1.6 billion. The line provides for an annual review and no principal repayments given that certain covenants, including specific financial ratios, are maintained. These tests are within Canadian Natural's anticipated results. The Company's commercial paper program, which continues to provide added flexibility of funding, was increased to $300.0 million in 1997 from $200.0 million in 1996. This program is supported by the bank line of credit. Available bank and other debt financing continue to be used to fund expenditures on facilities and property acquisitions. In addition, Canadian Natural received $18.1 million from the exercise of employee stock options.

Net Capital Expenditures



CAPITAL EXPENDITURES

Total net capital expenditures decreased to $1.1 billion in 1997 from $1.2 billion in 1996 when the Company acquired Sceptre Resources for $654.2 million. Excluding the acquisition of Sceptre, expenditures increased by $569.7 million, or 104 percent, in 1997. A large part of the increase ($297.1 million) was due to a 77 percent increase in the number of wells drilled in 1997 versus 1996 (711 and 401, respectively) at a higher success rate coupled with the associated facility costs required to tie-in and produce those wells that were successful. Normal course net property acquisitions also increased in 1997 to $386.3 million from $164.6 million in 1996 as Canadian Natural continued to consolidate its presence within its defined core areas. During the second quarter of 1997, Canadian Natural expended $45.0 million to acquire Crown oil sands leases covering 58 sections of land in the Pelican Lake area of North Central Alberta. Development of these lands began in 1997 and will take several years to complete. Finding and on-stream costs for proven and probable reserves declined for the third consecutive year to $5.02 per barrel of oil equivalent in 1997.

The Company's 1997 capital program was funded by a combination of cash flow, available forms of debt financing, the issue of common shares and the sale of non-strategic properties.

Capital Expenditures ($ millions)	1997	1996
Property Acquisitions	423.4	177.1
Seismic and Geological Evaluation	38.9	32.5
Land Acquisition and Retention	98.3	55.6
Well Drilling, Completion, Equipping	350.7	163.8
Pipeline and Production Facilities	240.3	130.1
Head Office Equipment	4.6	2.8
	1,156.2	561.9
Corporate Acquisition of Sceptre	–	654.2
Total Capital Expenditures	1,156.2	1,216.1
Funded by:		
Cash flow	503.0	359.7
Bank debt, deferred liabilities and working capital	597.3	361.1
Issue of capital stock	18.8	482.8
Property dispositions	37.1	12.5
	1,156.2	1,216.1

YEAR 2000

In 1997, Canadian Natural instituted a full review of its operations to identify the systems that could be affected by the Year 2000 issue and the resultant implications. This includes the Company's computer installations and infrastructure, software vendors, field operators, and service vendors. Steps will be undertaken prior to June 1999 to correct any deficiencies identified during this review including obtaining warranties from major software vendors. Most of the Company's systems have been recently developed and, accordingly, the Company presently believes that the Year 2000 issue will not result in significant operational problems or monetary expenditure to correct any deficiencies.

BUSINESS ENVIRONMENT AND OUTLOOK

Exploration, development, production and marketing of crude oil and natural gas have many areas of risk associated with them, depending on the location of a company's operations. These risks include the economic risk of finding and producing reserves for a reasonable cost, the financial risk of marketing those reserves at an acceptable price within a framework of changing market fundamentals, the cost of capital risk of securing funds at a reasonable cost and finally, the environmental risk that is inherent in the oil and gas industry.

Canadian Natural remains focused in the Western Canadian Sedimentary Basin where its expertise is maximized and risks minimized. Economic risk is minimized by maintaining operational control in core areas, by producing a varied product mix and by employing highly qualified, motivated employees who are also shareholders. Financial risks are minimized by selling the Company's product mix to various markets and to various customers, and by utilizing financial hedging instruments for both currency and pricing.

The Company has in place several hedging arrangements for 1998 and beyond for crude oil, natural gas and currency. Details of these are in note 9 of the consolidated financial statements. Depending on market conditions and management's policies regarding the total position outstanding at any one time, the hedging program is under constant review.

Securing funds at a reasonable cost depends on market conditions at any one time. Canadian Natural monitors its capital mix on an ongoing basis which includes strategies regarding debt funding and potential interest rate exposure.

Environmental risk is minimized by invoking established guiding principles approved by the Company's Board of Directors to ensure that environmental protection is a fundamental value. The Company continues to employ an Environmental Management Plan to ensure the welfare of its employees, its communities and the environment are afforded maximum protection.

Capitalization	1997		1996	
($ millions)	$	%	$	%
Working Capital Deficit	18.5	0.4	0.8	–
Long-term Debt	1,136.3	24.9	588.0	13.1
Deferred Credits	386.9	8.5	248.9	5.5
Warrants at Book Value	0.7	–	–	–
Common Shares at December 31				
Market Value	3,023.9	66.2	3,661.6	81.4
	4,566.3	100.0	4,499.3	100.0

The Company's outlook for 1998 includes a capital budget of $590.0 million, excluding an acquisition budget of between $110.0 and $260.0 million. The capital budget includes the drilling of approximately 600 wells. Cash flow in 1998 is forecasted at between $510.0 and $540.0 million ($5.16 to $5.44 per share) based on average daily production of between 160,000 and 165,000 barrels of oil equivalent per day. These estimates are based on an average WTI oil price of U.S. $17.50 per barrel, a natural gas price of $2.00 per thousand cubic feet and an average Canadian dollar of U.S. $1.42. Crude oil and natural gas liquids production is forecasted to be in the range of 90,000 to 100,000 barrels per day and natural gas production is forecasted at 690 to 720 million cubic feet per day. The Company's capital budget will be funded by cash flow and available lines of credit.

1998 Sensitivity Analysis

	Cash Flow $ millions	Cash Flow per Share $
Gas Price ($0.10/mcf)	26.6	0.27
Gas Volume (10 mmcf/d)	4.8	0.05
Oil Price (WTI – U.S. $1.00)	32.0	0.32
Oil Volume (1,000 bbls/d)	3.1	0.03
Interest Rates (1%)	13.0	0.13

Quarterly Financial Information (unaudited)

1997 ($ millions, except per share)	1Q	2Q	3Q	4Q
Oil and Gas Revenue	246.1	205.2	222.4	247.4
Cash Flow	143.5	109.7	118.8	131.0
Per common share	1.47	1.12	1.21	1.33
Net Income	38.0	24.6	25.8	22.9
Per common share	0.39	0.25	0.26	0.24
1996 ($ millions, except per share)	**1Q**	**2Q**	**3Q**	**4Q**
Oil and Gas Revenue	101.2	110.0	199.8	225.8
Cash Flow	57.8	63.8	108.3	129.8
Per common share	0.78	0.85	1.30	1.39
Net Income	15.6	18.2	24.8	36.4
Per common share	0.21	0.24	0.30	0.39

Trading and Share Statistics

	1997					1996
	1Q	2Q	3Q	4Q	Total	Total
Trading Volume (thousands)	31,969	17,671	25,210	25,688	100,538	99,222
Trading Value ($ millions)	1,132	619	958	943	3,652	2,809
Share Price ($/share)						
High	40.10	38.50	42.75	44.25	44.25	39.40
Low	31.50	30.40	33.50	28.90	28.90	19.25
Close	33.50	35.85	40.75	30.60	30.60	37.60
Market Capitalization, at December 31						
Shares outstanding (thousands)					98,819	97,383
Year end share price ($/share)					30.60	37.60
Total ($ millions)					3,024	3,662

Management's Responsibility

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. Where necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records properly maintained to provide reliable information for preparation of financial statements.

Coopers & Lybrand, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This committee, which is comprised of a majority of non-management directors, meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

John G. Langille, President

Gregory G. Adams, Vice-President, Finance

March 17, 1998

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Canadian Natural Resources Limited as at December 31, 1997 and 1996 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in Canada.

Coopers & Lybrand

Calgary, Alberta

Chartered Accountants

March 4, 1998

Consolidated Balance Sheets

As at December 31, 1997 and 1996 (in thousands of dollars)	1997	1996
ASSETS		
Current Assets		
Cash	$ 175	$ 299
Accounts receivable and prepaid expenses	184,925	150,367
	185,100	150,666
Property, Plant and Equipment (notes 2 and 3)	2,746,043	1,911,967
	$ 2,931,143	$ 2,062,633
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 203,650	$ 151,502
Long-Term Debt (note 4)	1,136,276	588,021
Deferred Liabilities (note 5)	67,910	24,583
Deferred Income Taxes	318,993	224,322
	1,726,829	988,428
SHAREHOLDERS' EQUITY		
Capital Stock and Contributed Surplus (note 6)	839,732	820,916
Retained Earnings	364,582	253,289
	1,204,314	1,074,205
	$ 2,931,143	$ 2,062,633

Signed on behalf of the Board

Director

Director

Consolidated Statements of Earnings and Retained Earnings

For the years ended December 31, 1997 and 1996 (in thousands of dollars)	1997	1996
INCOME		
Oil and gas	$ 921,114	$ 636,810
Less: Royalties	(152,392)	(104,463)
	768,722	532,347
EXPENSES		
Production	205,638	129,901
Administration	12,769	7,686
Interest	37,017	26,693
Capital taxes	10,286	8,326
Unrealized foreign exchange loss	8,247	36
Depreciation, depletion and amortization	288,794	182,431
	562,751	355,073
Earnings Before Income Taxes	205,971	177,274
Deferred income taxes (note 7)	94,678	82,248
Net Earnings for the Year (note 8)	111,293	95,026
Retained Earnings – Beginning of Year	253,289	158,263
Retained Earnings – End of Year	$ 364,582	$ 253,289

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1997 and 1996 (in thousands of dollars)	1997	1996
OPERATING ACTIVITIES		
Net earnings for the year	$ 111,293	$ 95,026
Non-cash items		
Depreciation, depletion and amortization	288,794	182,431
Deferred income taxes	94,678	82,248
Unrealized foreign exchange loss	8,247	36
Funds provided from operations (note 8)	503,012	359,741
Net change in non-cash working capital balances related to operations*	17,590	10,834
	520,602	370,575
FINANCING ACTIVITIES		
Increase in bank debt	540,008	350,285
Issue of capital stock, net of expenses	18,809	482,813
Increase in deferred liabilities	39,633	222
	598,450	833,320
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(1,154,108)	(560,381)
Expenditures on abandonments	(2,180)	(1,561)
Net proceeds on sale of properties, plant and equipment	37,112	12,520
Acquisition of Sceptre Resources Limited (note 2)	–	(654,187)
	(1,119,176)	(1,203,609)
Increase (Decrease) in Cash	(124)	286
Cash – Beginning of Year	299	13
Cash – End of Year	$ 175	$ 299

** Consisting of changes in accounts receivable and prepaid expenses and accounts payable and accrued liabilities.*

Notes to the Consolidated Financial Statements

For the years ended December 31, 1997 and 1996 (tabular amounts in thousands of dollars, unless otherwise stated)

1. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its general partnership.

Petroleum and natural gas properties and equipment

The Company follows the full cost method of accounting for petroleum and natural gas properties and equipment wherein all costs relating to the exploration for and development of oil and natural gas reserves are capitalized. Proceeds on disposal of properties are ordinarily deducted from such costs without recognition of profit or loss except where such disposal constitutes a major portion of the Company's reserves.

The accounts reflect only the Company's proportionate interest in its exploration and production activities where such activities are conducted jointly with others.

The costs related to petroleum and natural gas properties are depleted on the unit-of production method based on the Company's total estimated proven reserves. Volumes of net production and reserves before royalties are converted to equivalent units on the basis of estimated relative energy content. In determining its depletion base, the Company includes estimated future costs to be incurred in developing proven reserves and excludes the cost of undeveloped land. Processing facilities, net of salvage, are depreciated based on the estimated useful life of each facility.

The Company carries its petroleum and natural gas properties at the lower of the capitalized cost and net recoverable value. Net capitalized cost is calculated as the net book value of the related assets less the accumulated provisions for deferred income taxes and site restoration costs. Net recoverable value is limited to the sum of future net revenues from proven properties, and the cost of unproved properties net of provisions for impairment less estimated future financing and administrative expenses and income taxes. Future net revenues are based on prices and costs prevailing at the year end.

Provision for site restoration costs

The provision for future removal and site restoration costs, as estimated by the Company, is charged against income on a straight-line basis over 20 years as part of depletion expense. The cumulative amount, net of actual expenditures, is recorded as provision for site restoration costs.

Depreciation and amortization

Depreciation and amortization on assets other than depletable petroleum and natural gas assets are designed to amortize their cost over their estimated lives.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign exchange gains or losses are included in the determination of net income for the period.

Gas revenue recognition

Natural gas revenue is taken into income when reserves are produced and sold with gas production prepayments being taken into income on ultimate natural gas delivery or expiration of the contractual delivery period.

Income taxes

The Company follows the tax allocation method of accounting for the tax effect of the timing differences between taxable income and income as recorded in the financial statements. Timing differences arise when, for income tax purposes, the Company deducts exploration and development expenditures and capital cost allowances in amounts differing from those charged to expense in the financial statements.

Hedging

The Company uses various financial instruments to reduce its exposure to foreign exchange rates and crude oil and natural gas commodity price fluctuations. The Company does not use these instruments for trading purposes. Gains or losses on these contracts, which constitute effective hedges, are included in production revenue at the time of sale of the related product.

2. ACQUISITION OF SCEPTRE RESOURCES LIMITED

Pursuant to a vote by the shareholders of the Sceptre Resources Limited ("Sceptre") on August 14, 1996, the Company acquired all of the issued and outstanding shares of Sceptre. The acquisition has been accounted for using the purchase method and the results of operations of Sceptre have been included in these financial statements from the date of acquisition.

Net Assets Acquired	
Property, plant and equipment	$ 705,641
Deferred income taxes	(36,459)
Future site restoration and abandonment liability	(14,995)
	$ 654,187
Financed By	
Issue of 21,792,398 common shares	$ 468,536
Cash	20,000
Assumption of long-term debt	159,617
Assumption of working capital deficiency	2,438
Cash received from exercise of shares for Sceptre employee stock options	(11,311)
Acquisition costs	14,907
	$ 654,187

3. PROPERTY, PLANT AND EQUIPMENT

1997	Cost	Accumulated depreciation, depletion and amortization	Net
Petroleum and natural gas properties, plant and equipment	$ 3,398,395	$ 660,377	$ 2,738,018
Office equipment and leasehold improvements	11,912	3,887	8,025
	$ 3,410,307	$ 664,264	$ 2,746,043

1996	Cost	Accumulated depreciation, depletion and amortization	Net
Petroleum and natural gas properties, plant and equipment	$ 2,286,043	$ 378,805	$ 1,907,238
Office equipment and leasehold improvements	7,269	2,540	4,729
	$ 2,293,312	$ 381,345	$ 1,911,967

No administrative overhead relating to exploration and development has been capitalized during 1997 and 1996. Undeveloped land costs of $286,070,398 (1996 – $232,926,761) have been excluded from the Company's depletion base.

4. LONG-TERM DEBT

	1997	1996
Bank credit facilities		
Bankers' acceptances	$ 679,598	237,523
U.S. $ Bankers acceptances ($98,000 U.S.) – 1996 – Nil	140,052	–
Credit facility bearing interest at prime lending rates	17,970	20,712
Commercial paper	298,656	199,674
Senior notes (U.S. $95,000)	–	130,112
	$ 1,136,276	588,021

Bank credit facilities

As at December 31,1997, the Company has a total unsecured credit facility of $1,600,000,000 (1996 – $900,000,000) comprised of a $100,000,000 operating demand facility and a $1,500,000,000 extendible revolving credit facility. The bank facility provides that borrowings may be made by way of operating advance, prime loans, bankers' acceptances, U.S. base rate loans or U.S. dollar LIBOR advances which bear interest at the bank's prime rates or at money market rates plus stamping fee. Principal repayments are not required provided certain covenants with respect to the Company's financial ratios are maintained. The extendable revolving credit facility has a 5 year term beginning on December 19, 1997. Based upon the remaining credit facility, the indebtedness outstanding at December 31, 1997 and the Company's cash flow, no current portion of the bank loan is required to be paid and therefore no current portion of the bank loan has been recognized.

Commercial paper

Commercial paper is issued in the form of unsecured discounted notes for terms that do not exceed one year. Commercial paper has been classified as long-term debt since the Company has the ability to replace it with borrowing under the revolving facilities and it is management's intent that this debt be continually renewed throughout the next fiscal year.

Senior notes

Unsecured senior notes, which were assumed on the acquisition of Sceptre, totaling U.S. $95,000,000, comprised of U.S. $55,000,000 due June 16, 2003 and U.S. $40,000,000 due May 15, 2002, were outstanding at December 31, 1996. Interest was payable semi-annually at a rate of 7.68% and 6.94% respectively. On January 29, 1997 the senior notes were repaid.

5. DEFERRED LIABILITIES

	1997	1996
Provision for Site Restoration Costs	$ 28,055	$ 24,361
Term Royalty	39,725	–
Other	130	222
	$ 67,910	$ 24,583

The term royalty is repayable from future production on certain properties. The unpaid portion of this term royalty bears interest at the prime lending rate of a Canadian chartered bank. The holder of the term royalty may at any time after March 30, 1998, accelerate payment of the term royalty. The holder has indicated no intention of doing so in 1998.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(a) Authorized

200,000 Class 1 preferred shares with a stated value of $10 each

Unlimited number of common shares

(b) Capital stock, contributed surplus

	1997	1996
Common shares issued	$ 837,941	$ 819,866
Contributed surplus	1,050	1,050
Warrants	741	–
	$ 839,732	$ 820,916

(c) Issued – 1997

	Number of Shares	Amount
Common shares		
Balance – December 31, 1996	97,382,901	$ 819,866
Exercise of stock options	1,436,076	18,075
Balance – December 31, 1997	98,818,977	$ 837,941
Warrants		
Issued during year	750,000	$ 750
Issuance costs (net of deferred tax)		(9)
Balance – December 31, 1997	750,000	$ 741

(d) Issued – 1997

	Number of Shares	Amount
Common shares		
Balance – December 31, 1995	74,073,898	$ 337,035
Issued on acquisition of Sceptre	21,792,398	468,536
Exercise of stock options	1,516,605	14,317
Share issuance costs (net of deferred tax)		(22)
Balance – December 31, 1996	97,382,901	$ 819,866

(e) Stock options

Pursuant to the Company stock option plan, at December 31, 1997, options granted and outstanding are exercisable on 7,399,347 common shares (1996 – 8,821,237) [including 2,302,800 (1996 – 2,990,200) to directors and officers] at prices from $7.625 to $38.95 (1996 – $3.70 to $34.65) per share. The options expire at various dates to September 2003.

(f) Warrants

During 1997, the Company issued 750,000 warrants at a price of $1.00 each. Each warrant entitles the holder to acquire one common share of the Company at a price of $36.70 per common share until April 9,1999.

7. INCOME TAXES

Income taxes differ from the results which would be obtained by applying the combined Canadian federal and provincial income tax rates to earnings before income taxes.

The difference results from the following:

	1997	1996
Statutory tax rate	44%	44%
Tax provision at statutory rate	$ 90,627	$ 77,114
Effect on taxes of –		
Non-deductibility of Crown royalties, lease rentals and mineral taxes	53,436	38,915
Non-deductible capital taxes	4,551	3,468
Non-tax base depletion	14,059	9,198
Alberta royalty tax credit	(532)	(641)
Resource allowance	(67,463)	(45,806)
	$ 94,678	$ 82,248

8. COMMON SHARE DATA (see note 6(e))

Common share data, using the weighted average number of common shares outstanding of 98,042,402 (1996 – 83,245,713) is :

	1997	1996
Earnings – basic	$ 1.14	$ 1.14
– fully diluted	*	*
Funds provided from operations – basic	$ 5.13	$ 4.32
– fully diluted	*	*

** The effect of dilution on earnings per share and funds provided from operations per share is anti-dilutive in 1996 and 1997.*

9. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized in the consolidated balance sheets consist of cash, accounts receivable, current liabilities, long-term debt and deferred liabilities.

The estimated fair values of recognized financial instruments have been determined based on the Company's assessment of available market information and appropriate valuation methodologies; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

The carrying value of cash, accounts receivable, current liabilities, long-term debt, and deferred liabilities approximate their fair value with the exception of the senior notes.

The estimated fair value of the senior notes and derivative financial instruments are as follows:

	1997		1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes	$ –	$ –	$ 130,112	$ 131,600
Derivative financial instruments	$ –	$ (36,030)	$ –	$ (48,768)

The Company uses certain derivative financial instruments to manage its foreign currency and commodity price exposures. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. The Company is exposed to certain losses in the event of non-performance by counterparties to derivative instruments; however, the Company minimizes its financial credit risk by entering into agreements with only highly rated financial institutions. The Company is also exposed to certain losses by non-performance on the part of purchasers of crude oil and natural gas. However, the Company minimizes this credit risk by entering into sales contracts with only highly-rated entities.

The following summarizes transactions outstanding at December 31, 1997 and 1996.

(i) Crude Oil

At December 31, 1997 , the Company had hedged 20,000 barrels per day at an average price of Cdn. $28.25 per barrel (U.S. $20.58 per barrel at 1.373) through price swaps maturing in 1998. For 1998 the Company also hedged 6,000 barrels per day at an average price of U.S. $19.38 per barrel as long as the market price stays above U.S. $17.00, below which it reverts to the market price.

At December 31, 1997, the Company had hedged 2,000 barrels per day of Bow River Crude Oil at an average differential of U.S. $4.30 per barrel and 1,312 barrels per day of Mayan Crude Oil at an average differential of U.S. $5.44 per barrel, through price swaps maturing in 1998.

At December 31, 1996, the Company hedged 17,700 barrels per day at an average price of U.S. $20.17 per barrel through price swaps maturing in 1997 and 1998. At December 31, 1996, for 1997 the Company had 4,000 barrels per day of Bow River crude oil hedged at an average differential of U.S. $4.13 per barrel and 2,800 barrels per day of Lloydminster heavy blend at an average differential of U.S. $4.60 per barrel. At December 31, 1996, for 1998 the Company had 2,000 barrels per day of Bow River crude oil hedged at an average differential of U.S. $4.30 per barrel and 500 barrels per day of Lloydminster heavy blend at an average differential of U.S. $4.60 per barrel.

(ii) Natural Gas

At December 31, 1997, the Company had hedged 40,875 mmbtu per day at Aeco at an average price of Cdn. $1.98 per mmbtu through price swaps maturing in 1998, and an additional 10,550 mmbtu per day for 1999 and 2000 at an average price of Cdn. $1.66 per mmbtu. The 1998 includes 158,250 mmbtu per day of winter gas hedged at Aeco at an average price of Cdn $1.98 per mmbtu maturing in the first quarter of 1998. For 1998 the Company also fixed the differential between Chicago and Aeco for 5,013 mmbtu per day at an average price of U.S. $0.77 per mmbtu through price swaps, and an additional 25,000 mmbtu per day in 1999 at the same average differential.

At December 31, 1997, the Company had hedged 42,877 mmbtu per day at Sumas at an average price of U.S. $1.31 per mmbtu through price swaps maturing in 1998. For 1998 the Company also fixed the differential between Sumas and Aeco for 34,986 mmbtu per day at an average price of U.S. $0.15 per mmbtu through price swaps and an additional 10,000 mmbtu per day for 1999 and 2000 at an average price of U.S. $0.25 per mmbtu.

At December 31, 1997, the Company had hedged 56,685 mmbtu per day at Henry Hub at an average NYMEX price of U.S. $2.19 per mmbtu through price swaps maturing in 1998. For 1999 to 2001 the corresponding volumes and prices are 90,000 mmbtu – U.S. $2.05, 81,421 mmbtu – U.S. $2.02, 34,986 mmbtu – U.S. $1.80 and an additional 10,000 mmbtu per day for 2001 to 2004 at an average price of U.S. $1.92 per mmbtu.

At December 31, 1996, for 1997 the Company had hedged 28,500 mmbtu per day at Aeco at an average price of Cdn. $1.76 per mmbtu through price swaps and an additional 8,400 mmbtu per day for 1998 to 2000 at an average price of Cdn. $1.65 per mmbtu. The Company also hedged 70,000 mmbtu per day at Sumas at an average price of U.S. $1.47 per mmbtu for 1997 and an additional 50,000 mmbtu per day for 1998 at an average price of U.S. $1.36 per mmbtu. For 1997 and 1998, the Company fixed the differential between Sumas and Aeco for 40,000 mmbtu per day at an average price of U.S. $0.174 per mmbtu and for an additional 10,000 mmbtu per day for 1999 and 2000 at an average price of U.S. $0.24 per mmbtu. For the period 1997 through 2001, the Company has also hedged 35,000 mmbtu per day at an average NYMEX price of U.S. $1.92 per mmbtu and an additional 10,000 mmbtu per day for 2001 to 2004 at an average NYMEX price of U.S. 1.92 per mmbtu.

(iii) Foreign Currency

At December 31, 1997, the Company had hedged U.S. $223 million at an average rate of $1.3628 through currency swaps with maturities occurring in 1998 through 2002.

At December 31, 1996, the Company had hedged U.S. $324 million at an average exchange rate of $1.35 through currency swaps with maturities occurring in 1997 through 2001.

10. DIFFERENCE BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which differ in some respects from GAAP in the United States. The significant differences in GAAP, as applicable to these consolidated financial statements and notes, are described in the Company's Form 40-F report, which will be filed with the United States Securities and Exchange Commission.

Nine Year Review

FINANCIAL

($ thousands, except per share amounts)	1997	1996	1995	1994	1993	1992	1991	1990	1989
Revenues									
Gross revenues	921,114	636,810	281,065	259,014	157,930	77,031	40,058	20,825	6,202
Oil and gas revenues, net of royalties	768,722	532,347	245,419	221,182	135,419	66,038	34,892	18,061	5,377
Interest income	–	–	–	–	141	166	263	239	77
Expenses									
Production	205,638	129,901	63,914	51,309	30,867	18,374	9,963	5,031	1,439
Administration	12,769	7,686	4,327	2,775	3,029	1,807	1,248	767	429
Interest	37,017	26,693	20,897	12,325	6,495	3,837	2,537	1,423	329
Depletion and depreciation	288,794	182,431	82,413	57,121	35,023	18,448	10,123	3,953	1,038
Unrealized foreign exchange loss	8,247	36	–	–	–	–	–	–	–
Provision for taxes	94,678	90,574	31,467	43,437	25,831	9,815	3,254	2,107	511
Cash Flow from Operations	503,012	359,741	153,621	152,765	94,210	41,776	21,324	11,023	3,257
Per Common Share*	5.03	4.32	2.22	2.39	1.64	0.81	0.50	0.30	0.10
Net Earnings	111,293	95,026	42,401	54,215	34,315	13,923	8,030	5,019	1,708
Per Common Share*	1.14	1.14	0.61	0.85	0.60	0.27	0.19	0.14	0.05
Balance Sheet Information									
Capital expenditures – net	1,119,176	1,203,609	238,841	331,153	271,204	89,998	59,206	32,915	9,090
Working capital surplus (deficit)	(18,550)	(836)	9,712	4,035	2,204	(1,979)	(360)	(1,175)	(475)
Total assets	2,931,143	2,062,633	900,429	737,800	436,866	173,186	99,763	47,153	6,299
Long-term debt	1,136,276	588,021	237,700	242,856	189,165	60,478	35,561	14,938	2,842
Shareholders' equity	1,204,314	1,074,205	496,348	356,182	171,213	81,451	45,224	20,130	6,299
Common shares outstanding (000s) (Dec. 31)*	98,819	97,383	74,074	66,709	59,862	54,441	49,044	41,887	34,959
Weighted average shares outstanding (000s)*	98,042	83,246	69,319	63,873	57,596	51,475	42,774	37,044	31,801
Number of Employees (Dec 31)									
Office	339	293	159	118	87	41	27	19	9
Field	203	135	46	44	36	20	4	–	–
Total	542	428	205	162	123	61	31	19	9

OPERATING

	1997	1996	1995	1994	1993	1992	1991	1990	1989
Reserves (proven and probable)									
Crude oil and NGLs (mbbls)	351,429	190,639	76,753	57,502	42,630	18,650	9,302	3,291	1,677
Natural gas (bcf)	2,096	1,967	1,132	1,069	767	358	210	112	46
Land Holdings									
Gross acres (000s)	18,514	7,514	4,423	3,764	3,014	1,054	672	438	306
Net acres (000s)	6,938	5,825	3,334	2,714	1,873	738	472	248	135
Production									
Crude oil and NGLs (bbls/d)	70,619	37,399	16,836	12,820	8,005	4,184	1,681	966	436
Natural gas (mmcf/d)	625.5	499.3	304.8	237.5	164.8	93.5	57.3	25.3	6.0
Average Crude Oil and NGLs Price ($/bbl)	18.82	23.52	19.82	18.18	18.17	20.84	21.39	22.65	19.37
Average Natural Gas Price ($/mcf)	1.91	1.71	1.43	1.99	1.72	1.31	1.28	1.39	1.43
Drilling Activity (net wells)									
Oil wells	442.9	208.9	112.5	43.7	32.8	9.8	11.0	1.0	1.2
Gas wells	199.6	128.1	73.9	138.1	68.2	19.8	12.7	13.4	5.3
Injection	1.5	1.0	–	–	–	–	–	–	–
Dry and abandoned	67.0	62.9	22.3	44.5	27.6	21.5	9.0	4.7	3.2
Total	711.0	400.9	208.7	226.3	128.6	51.1	32.7	19.1	9.7
Success Rate (%)	91	84	89	80	79	58	72	75	67

** Restated to reflect 2 for 1 stock split in June 1993.*

Canadian Natural Resources Limited Employees

Our team is our strength

Ruth Abraham
Greg Adams
Bruce Anderson
Murray Anderson
Richard Anderson
Sherley Angers
Shelley Antonuk
Jim Archibald
Evalynn Arden
John Argan
Mark Ariss
James Arkley
Rob Armstrong
Clifford Atkinson
Aggie Aucoin
Victoria Badger
Charles Badiou
Dwayne Bailer
Sam Balaneski
Reginald Baldock
Vaughn Baldwin
Jack Bardahl
Carrie Barter
Marty Bartman
Michele Bauer
Lesley Belcourt
Jon Bell
Ronald Bell
Jeffrey Bergeson
Ebonie Bernard
David Biagi
Linda Bigelow
Kenneth Blackhall
Tim Blair
David Blake
Dwayne Blenner-Hassett
Kerry Blue
Marty Boggust
Shawn Bond
Jill Bonkowsky
Jeffrey Boyd
Linda Boyd
Patrick Boyd
Victoria Boyle
Neil Bozak
Marianne Brady
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Telephone: (403) 221-2100
Facsimile: (403) 233-8941
Email: investor.relations@cnrl.com

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